



DIRECTORS REPORT

No. 86

February 24, 1994

TO: PRINCIPAL-TYPE MEMBERS
Chief Executive Officer
Senior Visa Officer
Center Manager
Senior Travelers Cheque Officer
Travelers Cheque Program Director

ASSOCIATE-TYPE MEMBERS
Center Manager



SUBJECT: Board of Directors Meeting of February 10, 1994

The following is a summary of the significant matters considered or enacted at the Visa U.S.A. Board of Directors Meeting of February 10, 1994 in San Francisco, California:

DIRECTORS

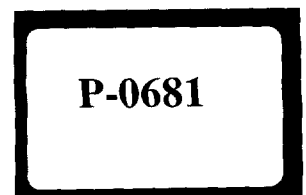
Mr. Jerry Grundhofer, President and Chief Executive Officer of Star Banc Corp., previously serving as a Board Advisor, was appointed a Board member and designated to represent the U.S. Region on the Visa International Board. Vice Admiral Thomas J. Hughes, CEO of the Navy Federal Credit Union, was appointed to the position of Board Advisor.

CO-BRANDING PROGRAM

The Board authorized a broad package of benefits and features to provide aggressive support for Members' Co-branded Visa Card Programs. The package of benefits, available immediately for qualified programs, includes financial support; service fee reductions for card conversions; waivers of quarterly service fees for "on-us" transactions of Co-branding Partners in the retail, direct marketing, supermarket and retail oil industries; and special information management and marketing services that leverage the technical advantages of the VisaNet Systems. Details of the program will appear in the Product and Marketing Edition of the February *Visa Business Review*.

PRODUCT STRATEGY

The Board reviewed Visa's long-term global product strategy. Market demands in the areas of electronic cash, cheques and credit are revealing strategic and concrete opportunities for Visa Members. A relationship matrix showed how the fundamental assets of the Visa system, its infrastructure, brands and delivery systems, give Members essential tools to maintain and improve their leadership in payment services in a profitable business environment.



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INTERLINK TRADEMARKS

To facilitate the expansion of the U.S. Interlink service outside the United States, the Board authorized the transfer of the Interlink trademarks to Visa International.

COMMERCIAL PRODUCTS

The Board enacted a non-duality provision applying to Members' issuance of commercial card products. This new By-Law provision, effective immediately, will be implemented through rules dividing the commercial card market into two product segments, and prohibiting Issuers of Visa Commercial Card Products directed to those segments, respectively, from also issuing the corresponding MasterCard product or participating in the corresponding American Express product offering. The two segments are the Visa Business card, aimed at the small business/professional segment, and the Visa Corporate card and/or Visa Purchasing card, targeted at the middle/large corporate segment. To allow Members to test product acceptance to confirm Visa brand superiority, Members currently issuing such cards will have until March 1996 to make brand commitments and newly issuing Members will have one year from the commencement of issuance to make a commitment. Conversion of existing business in the other brand is not mandatory. Commitments must be made at the holding company level. Although the U.S. rule does not apply to Members' international affiliates, those affiliates may be subject to other non-duality rules.

PAYMENTSERVICE 2000 - BENEFITS STUDY

The first phase of PaymentService 2000 was implemented in April 1993 and additional enhancements to improve the exception handling process were completed in August. A study with Andersen Consulting was initiated in November 1993 to assess the types of operational and financial benefits being experienced by Members from the initial implementation phase. The Board received a report of the preliminary findings of the study, which revealed that the study participants realized net first year benefits of approximately \$10 million, or an average of five basis points on sales. Further details from the study will be published shortly.

PRICING CHANGES

The Board voted to increase from .069 percent to .084 percent the service fee rate on gross acquiring volume. This increase was necessary in order to enable us to provide the highest quality services to Members and to ensure our pricing is equitable. The new rate takes effect with service fees payable April 15, 1995.

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DEBIT INTERCHANGE GROUP MEMBER

This category of membership, designed for regional EFT networks, had been authorized to sponsor only Associate Members' issuance of Visa Check cards. However, this restriction on their sponsorship and related processing and servicing activities thwarted their effective marketing of these Visa programs. In order to promote the expansion of Visa Check card programs, the Board authorized these Member organizations also to sponsor Associate Members to issue credit cards and to acquire credit and check card transactions. They were also authorized to sponsor Acquiring Associate Members. Further details will be published in the next edition of the *By-Laws/Operating Regulations*.

OPERATIONAL MATTERS

The Board adopted numerous Operating Regulations that will be described in forthcoming Member publications.

Cordially,



Carl F. Pascarella
President and Chief Executive Officer